# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

## FISCAL IMPACT STATEMENT

**LS 7006** | **NOTE PREPARED:** Feb 11, 2013
**BILL NUMBER:** SB 325 | **BILL AMENDED:** Feb 7, 2013

**SUBJECT:** Redevelopment Commissions and Authorities.

**FIRST AUTHOR:** Sen. Kenley | **BILL STATUS:** 2nd Reading - 1st House
**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL** | **IMPACT:** State & Local
**DEDICATED**
**FEDERAL**

**Summary of Legislation:** (Amended) This bill has the following provisions:

*Approval of Obligations:* It provides that a redevelopment commission may not enter into any obligation payable from public funds without first obtaining the approval of the legislative or fiscal body of the unit that established the commission.

*Approving Ordinance or Resolution:* The bill specifies that the approving ordinance or resolution must include certain items.

*Real Property:* The bill provides that any agreement by a redevelopment commission to:
(1) make payments for real property for a term exceeding three years; or
(2) pay a purchase price for real property that exceeds $5 M;
is subject to prior review (instead of approval) by the legislative body of the unit.

It specifies that any sale, exchange, transfer, grant, donation, lease, or other disposal of real property by a redevelopment commission is subject to prior review (instead of approval) by the legislative body of the unit if the value of the real property exceeds $5 M. It also provides that if a redevelopment commission acquires or sells real property, the redevelopment commission shall include in its annual report a description of the real property and the terms under which the real property was acquired or sold.

*Executive Session:* The bill specifies that a redevelopment commission may hold an executive session for a discussion of strategy with respect to the acquisition, lease, or sale of real property by the redevelopment commission.

*Oversight of Redevelopment Commissions, Departments, and Redevelopment Authorities:* It provides that a redevelopment commission and a department of redevelopment are subject to oversight by the legislative body of the unit, including review by the legislative body of annual budgets. The bill also specifies that a redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit.

The bill specifies that a redevelopment commission, a department of redevelopment, and a redevelopment authority are subject to audit by the State Board of Accounts and covered by the public meeting and public records laws.

*Sale, Transfer, or other Disposition of Property:* The bill requires a redevelopment commission to provide to the legislative body of the unit at a public meeting all the information supporting the action the redevelopment commission proposes to take regarding the sale, transfer, or other disposition of property.

*Excess Assessed Value:* It provides that if the amount of excess assessed value determined by the commission is expected to generate more than 200% of the amount of allocated tax proceeds necessary to carry out the commission's plan, a determination of the amount of the excess available to other taxing units by the commission must be approved by the legislative body of the unit. It permits the legislative body of the unit to modify the commission's determination with respect to the amount of excess assessed value.

*Fiscal Officers:* The bill requires the treasurer of a redevelopment commission outside Indianapolis and the secretary-treasurer of a redevelopment authority outside Indianapolis to report quarterly to the fiscal officer of the unit that established the commission or authority.

*Indianapolis Controller:* The bill provides that the Indianapolis controller is the fiscal officer of the redevelopment commission and redevelopment authority in Indianapolis. It also authorizes the Indianapolis controller to obtain financial services on a contractual basis.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Oversight - State Board of Accounts (SBOA):* Under the bill, redevelopment commissions, departments, and authorities are to be audited by the SBOA. To the extent that SBOA does not currently audit an entity, SBOA would have additional workload. However, most of these entities are currently audited.

*Background:* Each local unit of government is required to pay all or a portion of the expenses of examination by the SBOA. The rate billed is $45.00 per day for each field examiner engaged in making the examination.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Overall Impact:* To the extent that the added review by an elected body could impact projects undertaken by redevelopment commissions, the impact on redevelopment, if any, is unknown. The actual impact would depend on local action taken under this bill.

*Oversight:* Under current law, a county or municipality may create a redevelopment commission, and a unit that has enacted a commission may create a redevelopment authority. In Marion County, a department of metropolitan development may be established. Under this bill, the legislative or fiscal body of the taxing unit that created the redevelopment commission or department would have oversight over:

1. The budget and tax levies;
2. The issuance of certain debt or obligations, including the execution of leases; and
3. The sale or disposal of property.

(Revised) An entity would not be permitted to issue obligations, payable with public funds, without first obtaining approval from the enabling taxing unit's legislative body. However, the entity would only need review of the legislative body of an obligation for a real property purchase if either the purchase price does not exceed $5 M or the repayment period does not exceed three years. Also, the legislative or fiscal body would be required to specifically approve the maximum payment or lease amounts as well as the maximum interest rate.

As the result of oversight and to meet open meetings and records acts, reporting and records costs could increase under the bill from the following sources.

1. The treasurer of a redevelopment commission outside Indianapolis would report quarterly to the fiscal officer of the sponsoring unit which would minimally increase costs.

2. The entity could also incur costs for SBOA audits (see *Explanation of State Expenditures* above).

3. The entity could incur additional expenses to post meeting information in compliance with the open meetings statutes, and to maintain and provide records under the public records laws. The added expenses would depend on the number of meetings and information requests.

*Excess AV Determinations:* In a TIF area, captured tax payments are allocated to the redevelopment district and may be used to repay debt and for a variety of uses related to the operations of the redevelopment commission. Under this provision, the redevelopment commission would need to obtain the approval of the unit's legislative body if the excess AV is expected to generate more than 200% of the TIF proceeds necessary to carry out the redevelopment or economic plans.

*Fiscal Officer:* For Indianapolis/Marion County, the city controller would be the fiscal officer of the redevelopment commission. The controller would be permitted to contract for financial services. The fiscal impact for this provision would depend on whether the controller contracts for financial services.

**Explanation of Local Revenues:**

**State Agencies Affected:** SBOA.

**Local Agencies Affected:** Units authorizing redevelopment commissions departments, and authorities; redevelopment commissions, departments, and authorities; Indianapolis Controller.

**Information Sources:**

**Fiscal Analyst:** Karen Firestone, 317-234-2106.